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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8- 52538

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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: M.S. Howells & Co.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2390 East Camelback Road, Suite 315

(No. and Street)

Phoenix

Arizona

85016

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Chris L. England

(602) 957-2700

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Spicer Jeffries LLP

(Name - if individual, state last, first, middle name)

5251 South Quebec Street, Suite 200

Greenwood Village

Colorado

80111

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 19 2004

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THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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information contained in this form are not required to respond
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083-18

OATH OR AFFIRMATION

I, Chris L. England, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of M.S. Howells & Co., as of December 31, 20 03, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Notary Public State of Arizona
Maricopa County
Cristine L. Nichols
Expires July 25, 2004

Chris L. England
Signature

Chief Financial Officer
Title

Cristine L. Nichols
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditors' Report on Internal Accounting Control.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



M.S. HOWELLS & CO.

REPORT PURSUANT TO RULE 17a-5(d)

YEAR ENDED DECEMBER 31, 2003

M.S. HOWELLS & CO.

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SPICER JEFFRIES LLP

CERTIFIED PUBLIC ACCOUNTANTS

5251 SOUTH QUEBEC STREET • SUITE 200

GREENWOOD VILLAGE, COLORADO 80111

TELEPHONE: (303) 753-1959

FAX: (303) 753-0338

www.spicerjeffries.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
M.S. Howells & Co.

We have audited the accompanying statement of financial condition of M.S. Howells & Co. as of December 31, 2003, and the related statements of operations, changes in shareholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of M.S. Howells & Co. as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not required for a fair presentation of the financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Greenwood Village, Colorado
February 11, 2004

M.S. HOWELLS & CO.

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2003

ASSETS

Cash and cash equivalents	\$	83 541
Commissions receivable		283 057
Receivable from related parties		40 102
Due from clearing broker		251 697
Securities owned, at market value		104 990
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$103,731		73 880
Other		42 878

TOTAL ASSETS **\$ 880 145**

LIABILITIES AND SHAREHOLDER'S EQUITY

LIABILITIES:

Accounts payable	\$	108 919
Commissions payable		84 905
Due to clearing broker		46 308

TOTAL LIABILITES **240 132**

COMMITMENTS AND CONTINGENCIES (Notes 2 and 4)

SHAREHOLDER'S EQUITY (Note 3):

Common stock, no par value; 1,500 shares authorized; 1,352 shares issued and outstanding		1 475 137
Deficit		(835 124)

TOTAL SHAREHOLDER'S EQUITY **640 013**

TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY **\$ 880 145**

M.S. HOWELLS & CO.

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2003

REVENUE:

Commissions (Note 2)	\$ 3 388 863
Trading gains, net	26 917
Interest and dividends	84 988
Other	<u>17 966</u>

<i>Total revenue</i>	<u>3 518 734</u>
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EXPENSES:

Clearing fees	547 350
Commissions, salaries, and related expenses	1 614 204
Exchange and trading fees	41 969
General and administrative	439 534
Information services	168 352
Occupancy and equipment costs	197 428
Soft dollar expense	134 137
Travel and entertainment	<u>45 049</u>

<i>Total expenses</i>	<u>3 188 023</u>
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NET INCOME	<u>\$ 330 711</u>
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M.S. HOWELLS & CO.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
YEAR ENDED DECEMBER 31, 2003

	Common Shares	Stock Amount	Deficit	Total Shareholder's Equity
BALANCES, December 31, 2002	1 352	\$ 1 475 137	\$ (1 113 962)	\$ 361 175
Capital distributions	-	-	(51 873)	(51 873)
Net income	-	-	330 711	330 711
BALANCES, December 31, 2003	<u>1 352</u>	<u>\$ 1 475 137</u>	<u>\$ (835 124)</u>	<u>\$ 640 013</u>

M.S. HOWELLS & CO.

**STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
DECEMBER 31, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 330 711
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	29 030
Increase in commissions receivable	(149 828)
Increase in due from clearing broker	(65 306)
Increase in securities owned, at market value	(102 200)
Increase in other assets	(11 448)
Increase in accounts payable and other liabilities	<u>154 733</u>
<i>Net cash provided by operating activities</i>	<u>185 692</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of furniture and equipment	<u>(34 538)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES:

Increase in receivable from related parties	(23 973)
Capital distributions	<u>(51 873)</u>
<i>Net cash used in financing activities</i>	<u>(75 846)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	133 819
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CASH AND CASH EQUIVALENTS, at beginning of year	<u>8 233</u>
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CASH AND CASH EQUIVALENTS, at end of year	<u>\$ 142 052</u>
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M.S. HOWELLS & CO.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M.S. Howells & Co. ("the Company") was incorporated in Delaware on April 11, 2000 and is a securities broker-dealer and investment banker located in Arizona serving both individual and institutional investors.

The Company records securities transactions and related revenue and expenses on a trade date basis. Securities owned or sold, but not yet purchased by the Company (substantially common stock) are recorded at market value and related changes in market value are reflected in income.

The Company, under Rule 15c3-3(k)(2)(ii), is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by its clearing broker on a fully disclosed basis. The Company's agreement with its clearing broker provides that as clearing broker, that firm will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the Securities and Exchange Act of 1934, as amended (the "Act"). The clearing broker also performs all services customarily incident thereon, including the preparation and distribution of customer's confirmations and statements and maintenance margin requirements under the Act and the rules of the Self Regulatory Organizations of which the Company is a member.

The Company provides for depreciation of furniture and equipment on the straight-line method based on estimated lives of the assets ranging from four to five years. Leasehold improvements are amortized over lives ranging from five to thirty-nine years.

For purposes of the statement of cash flows, the Company considers all demand deposits and money market funds to be cash equivalents.

The Company is recognized as an S-Corporation by the Internal Revenue Service, therefore the Company's sole shareholder is liable for federal and state income taxes on the Company's taxable income.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M.S. HOWELLS & CO.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 2 - COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Company leases office space and equipment under various operating leases expiring through 2008. Future minimum lease payments under the noncancellable leases as of December 31, 2003 are approximately as follows:

<u>Year</u>	<u>Amount</u>
2004	\$ 166,527
2005	33,213
2006	3,969
2007	3,969
Thereafter	<u>331</u>
Total	<u>\$ 208,009</u>

Total rental expense for operating leases was approximately \$177,290 for the year ended December 31, 2003.

During the year ended December 31, 2003, the Company generated approximately 3% of its commission revenue from transactions with related parties.

NOTE 3 - NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. At December 31, 2003, the Company had net capital and net capital requirements of \$467,227 and \$100,000, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was .42 to 1. According to Rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1.

NOTE 4 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONTINGENCIES

In the normal course of business, the Company's client activities ("clients") through its clearing broker involve the execution, settlement and financing of various client securities transactions. These activities may expose the Company to off-balance sheet risk. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the client's obligations.

In the Company's trading activities, the Company has purchased securities for its own account and may incur losses if the market value of the securities declines subsequent to December 31, 2003.

M.S. HOWELLS & CO.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 4 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONTINGENCIES *(continued)*

The Company bears the risk of financial failure by its clearing broker. If the clearing broker should cease doing business, the Company's receivable from this clearing broker could be subject to forfeiture. In addition, the cash shown on the accompanying statement of financial condition is deposited in bank accounts that are not FDIC insured. If the bank should cease doing business, these amounts could be subject to loss.

The Company's financial instruments, including cash, receivables, payables and other liabilities are carried at amounts that approximate fair value due to the short-term nature of those instruments. Securities owned are valued at market value using quoted market prices.

SUPPLEMENTARY INFORMATION

M.S. HOWELLS & CO.

**COMPUTATION OF NET CAPITAL PURSUANT TO
UNIFORM NET CAPITAL RULE 15c3-1
DECEMBER 31, 2003**

CREDIT:

Shareholder's equity	\$ 640 013
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DEBITS:

Non-allowable assets:

Receivable from related parties	40 102
Furniture, equipment and leasehold improvements, net	73 880
Other assets	<u>42 878</u>

<i>Total debits</i>	<u>156 860</u>
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<i>Net capital before haircuts on securities positions</i>	483 153
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Haircuts on securities positions, including

undue concentration charge of \$178	<u>15 926</u>
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NET CAPITAL	467 227
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Minimum requirements of 6-2/3% of aggregate indebtedness of

\$197,156 or \$100,000, whichever is greater	<u>100 000</u>
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<i>Excess net capital</i>	<u><u>\$ 367 227</u></u>
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AGGREGATE INDEBTEDNESS:

Accounts and commissions payable	\$ 193 824
Due to clearing broker	46 308
Less adequately secured by securities	<u>(42 976)</u>

<i>Total aggregate indebtedness</i>	<u><u>\$ 197 156</u></u>
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RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u><u>.42 to 1</u></u>
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NOTE: There are no material differences in the above computation of net capital with that included in the Company's corresponding unaudited Form X-17A-5 Part II Filing.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

The Board of Directors
M.S. Howells & Co.

In planning and performing our audit of the financial statements and supplemental schedule of M.S. Howells & Co. for the period ended December 31, 2003, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by M.S. Howells & Co., that we considered relevant to the objectives stated in Rule 17a-5(g), (i) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3; and (ii) for safeguarding the occasional receipt of cash and securities until promptly transmitted to the Company's clearing organization. We did not review the practices and procedures followed by the Company in complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. This report recognizes that it is not practicable in an organization the size of M.S. Howells & Co. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

In addition, our review indicated that M.S. Howells & Co. was in compliance with the conditions of exemption from Rule 15c3-3 pursuant to paragraph k(2)(ii) as of December 31, 2003, and no facts came to our attention to indicate that such conditions had not been complied with during the year.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange, Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

A handwritten signature in cursive script that reads "Spicer Jeffries LLP".

Greenwood Village, Colorado
February 11, 2004